

Message Text

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PAGE 01 BELGRA 00634 302241Z

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ACTION EUR-12

INFO OCT-01 EB-07 ISO-00 AGR-05 STR-04 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 /064 W

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R 301045Z JAN 76
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 5446

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PASS AGR, FAS/CEP FA WOODLING

E.O. 11652: N/A
TAGS: EAGR, YO
SUBJECT: CCC CREDIT

REF : A. STATE 18058 B. BELGRADE 0102 C. BELGRADE 6286

1. MEETING WAS HELD WITH SPASOJE VUKADINOVIC, ACTING DIRECTOR, FEDERAL DIRECTORATE FOR FOOD RESEFEES (FDFR) ABOUT YUGOSLAV WHEAT SUPPLY-DEMAND SITUATION. HE GAVE THE FOLLOWING REASONS FOR RECENT SHIFT IN OFFICIAL GOVERNMENT OF YUGOSLAV (GOY) POSITION ON WHEAT IMPORTS FOR 1976:
(A) WHEAT PURCHASED BY FDFR WAS SIGNIFICANTLY LOWER QUALITY THAN EXPECTED. APPROXIMATELY ONE-FOURTH OF THE 1975 CROP HAD VERY LOW TEST WEIGHT, THEREFORE, EXTRACTION RATE IS LOWER THAN NORMAL;
(B) A LARGER PERCENTAGE OF THE WHEAT CROP IS BEING FED ON FARMS;
(C) CONSUMPTION OF WHEAT FLOUR PRODUCED IN COMMERCIAL CHANNELS HAS BEEN INCREASING FASTER THAN ANTICIPATED DUE TO STABILIZATION OF RETAIL PRICES AND REDUCED FARM PRODUCTION OF FLOUR DUE TO HIGH PURCHASE PRICE OF WHEAT.

2. BASED ON DOMESTIC WHEAT PURCHASES, IMPORTS, AND FLOUR PRODUCTION DURING 1974, WE ESTIMATED FDFR STOCKS AT THE BEGINNING OF 1975/76 MARKETING YEAR AT 1.0 MILLION TONS.
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PAGE 02 BELGRA 00634 302241Z

PURCHASES FROM THE 1975 CROP TOTAL ABOUT 2.2 MILLION TONS. FDFR INDICATED THAT COMMERCIAL WHEAT CONSUMPTION WILL BE 3.2 -

3.5 MILLION TONS. THUS, IF STOCKS ARE DRAWN DOWN TO PIPELINE LEVELS OF ABOUT 400,000 TONS, YUGOSLAVIA'S IMPORT REQUIREMENT WOULD BE 300,000 TO 700,000 TONS. IF THE GOY DECIDES TO MAINTAIN MORE ADEQUATE STOCK LEVEL, IMPORTS COULD BE HIGHER.

3. IN ADDITION TO 200,000 TONS PURCHASED FROM ROMANIA, WE WERE TOLD BY DIMITAR VLAHOV, FEDERAL SECRETARIAZTFOR FOREIGN TRADE THAT YUGOSLAVIA MAY BUSQSOME WHEAT FROM WEST GERMANY INTERVENTION STOCKS BECAUSE IT WAS BEING OFFERED AT A GOOD PRICE. FDFR STATED THAT ALL IMPORTED WHEAT WOULD BE CONSUMED IN YUGOSLAVIA AND THAT YUGOSLAVIA DOES NOT GET INVOLVED IN THREE-COUNTRY DEALS.

4. VUKADINOVIC INDICATED THAT BECAUSE OF THE AMOUNT OF TIME REQUIRED TO SECURE LINE OF CREDIT, PURCHASES AND DELIVERY OF WHEAT, MOST PROBABLY DELIVERY PERIOD WOULD BE SEPTEMBER-NOVEMBER. FROM JUNE 15-SEPTEMBER 1, YUGOSLAV FACILITIES ARE PREPARING FOR OR RECEIVING DOMESTIC WHEAT. TIMING IS LATER THAN WE WOULD HAVE ANTICIPATED AND PROBABLY REFLECTS GOY THINKING THAT EVEN WITH A NORMAL 1976 CROP, PURCHASES WILL NOT BE SUFFICIENT TO MEET DOMESTIC NEEDS AND MAINTAIN ADEQUATE STOCK LEVEL.

5. WE ESTIMATE VEGETABLE OIL IMPORTS AT MINIMUM OF 100,000 METRIC TONS. IN ADDITION, IMPORTS OF UP TO 100,000 TONS OF SOY-BEANS AREH ROBABLE. FDFR INDICATED GOY PREFERES TO IMPORT SOYBEAN OIL RATHER THAN SOYBEANS FOR INTERVENTION PURPOSES BUT FSFT INDICATED THAT YUGOSLAVIA IS INTERESTED IN IMPORTING SOME SOY-BEANS. IF SOYBEANS ARE NOT IMPORTED, VEGETABLE OIL IMPORTS WOULD TOTAL ABOUT 120,000 TONS. YUGOSLAVIA HAS BEEN TENDERING FOR ABOUT 10,000 TONS OF VEGETABLE OIL PER MONTH.

6. IMPORT DATA (1,000 MT)

CY 1972 CY 1973 CY 1974

WHEAT

TOTAL	447.5	224.8	845.1
U.S.	396.6	17.2	398.3

SOYBEAN OIL-UNREFINED

TOTAL	115.5	38.9	49.9
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PAGE 03 BELGRA 00634 302241Z

U.S.	103.5	28.2	34.7
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DURING THE FIRST ELEVEN MONTHS OF 1975, YUGOSLAVIA IMPORTED NO WHEAT AND 136,000 TONS OF FATS AND OILS OF PLANT AND ANIMAL ORIGIN. WE ESTIMATED VEGETABLE OIL IMPORTS ACCOUNT FOR ABOUT 120,000 TONS. U.S. CENSUS DATA SHOW SOYBEAN OIL EXPORTS OF ONLY 49,052 TONS DURING FIRST ELEVEN MONTHS OF 1975. THERE APPEARS TO HAVE BEEN SHIFT TO OTHER SOURCES OF VEGETABLE OIL IN 1975. THEREFORE, WE HAVE REQUESTED DATA FOR 1975 AND ADDITIONAL INFORMATION FOR 1976 FROM FSFT.

7. VLAHOV ASKED IF CCC CREDIT INTEREST RATES HAVE BEEN
REDUCED FROM NINE PER CENT FOR FOREIGN BANK OBLIGATION, WHICH
HE FELT WAS QUITE HIGH.

8. SEE REF (C) FOR LATEST ANALYSIS OF YUGOSLAV ECONOMY. OTHER
REPORTS ON YUGOSLAV FANANCIAL SITUATION WILL BE SENT TO
FAS/CEP.
SWEITZER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, CREDIT, WHEAT, IMPORTS, GRAINS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BELGRA00634
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760037-0781
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976017/aaaaaewt.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 18058, 76 BELGRADE 102, 76 BELGRADE 6286
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 20 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 MAY 2004 by ifshinsr>; APPROVED <20 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CCC CREDIT
TAGS: EAGR, YO, CCC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006